

Some commonalities and differences between managing in production-based and in project-based organizations

By Alan Stretton

INTRODUCTION

In a recent issue of this journal (Stretton 2017e) I discussed some differences for project managers between those who work in Supplier Organizations (SOs) and those who work in Owner Organizations (OOs), using descriptors by Taggart 2015. That article began by pointing out that the project management literature tends to focus on OOs. However, according to Taggart 2015 and Lehmann 2016, there appear to be more project people practicing in SOs than in OOs. In light of this, it would appear that project management in SOs does not get the coverage in the literature that its importance in terms of numbers of project managers involved in them appears to warrant. That article was a contribution to helping redress this imbalance.

This article is a further contribution in this context. My previous article tended to focus on how differences between the situations in these two types of organizations affect what project managers actually do, and how they operate. In this article I will move from project managers per se to look at differences, and some commonalities, in two key management processes – namely strategic planning / management, and operational management – between the two types of organisations.

In Stretton 2017e I also noted that I have previously described SOs as project-based organizations, and OOs as production-based. In using these descriptors, I borrowed from Cooke-Davies 2002 in describing them as such, and from Archibald et al 2012 (who use different descriptors) in defining them as follows.

- **Project-based organizations** derive most (if not all) of their revenue and/or other benefits from creating and delivering projects / programs to external customers.
- **Production-based organizations** derive most (if not all) of their revenue and/or benefits from producing and selling products and services. They utilize projects to create new, or improve existing, products and services; enter new markets; or otherwise improve or change their organizations.

In this article, I will use the latter terminologies in discussing the following:

- Commonalities and differences in strategic planning between production-based and project-based organizations
- Commonalities and differences in operational management between production-based and project-based organizations
- Differences between strategic management and operations management in both types of organizations

COMMONALITIES AND DIFFERENCES IN STRATEGIC PLANNING BETWEEN PRODUCTION-BASED AND PROJECT-BASED ORGANIZATIONS

Apparent commonalities

Production-based organizations derive most (if not all) of their revenue and/or benefits from producing and selling products and services. Therefore their strategic planning processes are concerned with securing the future for the products and services they produce and sell.

But project-based organizations are also concerned with securing the future of their project management services. So their strategic planning processes have a good deal in common.

On a personal note, I had seven years experience in the strategic planning group for Lend Lease Corporation, which was the holding company for (then) ten operational companies – some project-based, and some production-based. This could be seen as implying that Lend Lease was, at least in part, a production-based organization. But the main thrust of the Lend Lease operations was project-based, and the internal mixture was not a problem. We had no conflict between the strategic management of the operating companies that I can recall.

My involvement in the strategic planning for the wholly project-based subsidiary Civil & Civic was twice as long, with an overlapping period. Whilst there were obvious differences in the detailed issues under consideration in the organizational strategic management context, the basic approaches remained much the same.

Differences in perspectives

Most of my previous articles in this journal relating to organizational strategic management (e.g. Stretton 2016d, 2015d, 2013k,l), have a strong project-centred bias – as one would expect, coming from a project management author.

However, it is important to recognise that many, if not most, senior managers in production-based organizations would not automatically think projects – indeed far from it. Their focus is on establishing and then achieving the organizational strategic objectives. Many of them do not associate projects with the latter, and in one sense that is completely reasonable. The real-world situation is that projects are only ever a means to help achieve broader ends – in this case the achievement of the strategic business objectives. We in project management sometimes forget this.

A cautionary note for project managers

For example, if we in project management wish to promote our services to senior general management in organization strategic planning and implementation, we should not start by talking about projects. We should first be talking about the strategic outcomes they are trying to achieve, and only introduce discussions about projects in the context of them being part of the means of achieving such outcomes.

COMMONALITIES AND DIFFERENCES IN OPERATIONAL MANAGEMENT BETWEEN PRODUCTION-BASED AND PROJECT-BASED ORGANIZATIONS

In this section I will use the term general management to cover operational management in production-based organizations (i.e. in current provision of goods and services), and project management for the execution and delivery of projects in project-based organizations.

Commonalities between general management and project management

In the first of a series of seven articles I wrote in this journal on general management functions and activities, and their relevance to the management of projects (Stretton 2015g), I used the following lead quotation from the 2004 PMBOK Guide.

General management provides the foundation for building project management skills and is often essential for the project manager. On any given project, skill in any number of general management areas may be required. General management literature documents these skills, and their application is fundamentally the same on a project. (PMI 2004:15)

I went on to note that, although the importance of general management in the management of projects is quite widely acknowledged, its treatment in the project management literature is uneven. Key bodies of knowledge and competency standards of project management differ in their coverage of general management, as do books and other relevant publications. Overall, some aspects of general management are quite well covered, but others not so well. I wrote that series in an attempt to give a balanced coverage of the subject, and to relate it to projects.

Rather naturally, the project management literature tends to focus on project-specific issues. This tends to obscure the reality that project management has such a strong general management component, and that this is a profound commonality that we share.

Differences between general management and project management

There seems to be some level of agreement in the project management literature that differences between project management and general management are strongly connected with the temporary nature of individual projects (“temporary organizations”) versus the permanent nature of production-based organizations. For example, Peter Morris has often said (e.g. Morris 2013:150),

The only thing that distinguishes projects from non-projects is their project life-cycle.

Archibald 2004 says much the same thing:

The primary (some say the only) difference between projects and an ongoing enterprise as something to be managed is that the project has a life cycle: it starts, is executed, and it ends.

The differences between the two operational management processes are real enough, but these do not appear to be widely understood or appreciated by either group of managers.

In a recent unpublished draft paper, Blythman 2017 said that the persistent troubles and tribulations that confront projects in production-based organizations are created by a mutual lack of understanding between general management and project management. He was particularly concerned that the different perspectives of each create a degree of tension between the permanent organization and the temporary organizations (projects). He went on to suggest that the development of project management maturity is in fact a mature approach to managing the tensions between permanent and temporary organisations

Blythman's analysis included a table which listed differences between project management and general management against twelve different parameters, which included the ten knowledge areas of the PMBOK Guide (PMI 2013). His table showed that the actual contexts of the two have many important differences, which would in turn require different management skills – many of them very substantially so. I will not elaborate further on Blythman's work at this stage, because I know that he is considering revisiting and then publishing his article.

A cautionary note re perceptions of the scope of project management

Many of us in the project management community believe that one reason why so many senior general managers in production-based organizations do not have any real understanding of project management is that they see it as an execution-only discipline. Project management itself is largely to blame for this situation.

One reason for this is that many in the project management community continue to see themselves this way. In Stretton 2016g I described this as the “traditional” paradigm of project management, as opposed to what I called the “emergent” paradigm, which embraces the wider involvement of project management.

Further, the “traditional” paradigm tends to be reflected in bodies of knowledge of project management, most notably in the PMBOK Guide (PMI 2013), which is wholly process- and execution-focused. There is virtually nothing in it to suggest that project management can, and should, contribute to the initiation of individual projects, let alone to organizational strategic planning processes. So, we cannot show senior management that we have documented how project management would contribute to such processes, and I believe this is a very significant omission.

This brings me to the proposals of Debourne & Archibald 2017 to accelerate advancement from project manager to senior executive, and particularly the following bullet point under their proposals for Professional Associations:

- Provide more guidance and resources to program/project managers in order to reach senior executive positions, for instance in developing certifications of a more strategic nature.

In the summarising article of my series of articles on project successes and failures (Stretton 2015e) I suggested going much further than this, as follows.

It was further recommended that all bodies of knowledge of project management, competency standards, educational programs and the like should include specific coverage of all project initiation phases.

If this were done, I believe it would help greatly in facilitating a better appreciation by general managers in production-based organizations of the nature and importance of project management in their environment.

DIFFERENCES BETWEEN STRATEGIC MANAGEMENT AND OPERATIONS MANAGEMENT IN BOTH TYPES OF ORGANIZATIONS

Different management skills are required in these two contexts

On the basis of my own experience and observations in project-based organizations, the skills required to effectively manage organizational strategic planning are quite different from those needed to effectively manage projects. The former needs a substantial future-oriented-what-if mind-set, whilst most projects need more of here-and-now fix-it mind-set. On a personal note, I was a good deal more successful in organizational strategic planning, and in managing future-oriented projects such as R&D, than I was on managing more run-of-the-mill projects.

Although I have not worked in production-based organizations, there are good reasons to assume that corresponding differences apply between appropriate management styles for organizational strategic planning on the one hand, and the operational management involved in “producing and selling products and services”.

Approaches to catering for this

One way of catering for the different management skill-sets required is to have a specialist strategic management person in the senior management team. In production-based organizations we would tend to recommend having an ex-project manager in this position, although he/she would need to have additional skills relevant to that type of organization. In the project-based organizations I have worked in, it is more or less automatic that ex-project managers fill this role. As already noted, that is what happened in my case.

However, from a project management perspective, ideally this should be a joint venture between project management and operations management.

Using strategic planning and individual project initiation phases based on Figure 5-5 in Stretton 2015d, adding an outcomes/benefits realization phase, and arranging them vertically, the disposition of project management and operations/general management inputs might be represented roughly along the following lines.

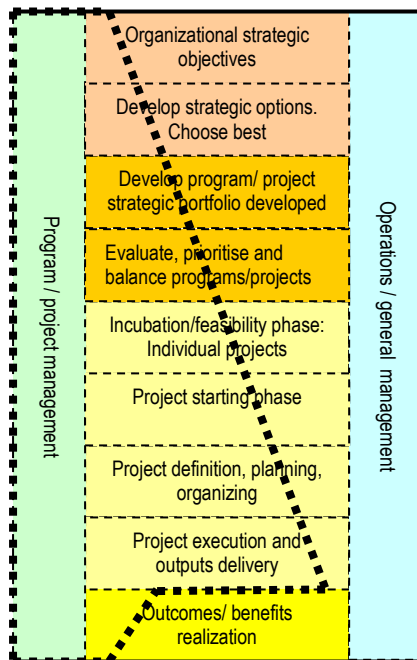


Figure 1: An illustrative division of inputs between project mgt. and operational/general mgt.

Unfortunately I do not have the drawing skills to use colour-coding to fully highlight the two participants in the way I would like. However, hopefully Figure 1 will go some way towards broadly representing the varying degrees of contributions which each group can make at various stages of strategic planning and an extended life cycle for individual projects.

One of the features of this model is that you do not have to agree with my particular break-up of organizational strategic planning and individual project life cycle phases. Instead, you can put your own break-up of these pre-execution phases/stages. There will still be a broad, and very varied, dashed line for each project undertaken in the production-based organization, which will represent the planned disposition of inputs between program/project management and operational/ general management.

Hopefully, this model might be useful to someone at some stage.

SUMMARY

We first looked at commonalities and differences in strategic planning between production-based and project-based organizations. It emerges that the basic approaches are very similar. However the perspectives of the two relevant management groups are different, and this is important. As an example, we added a cautionary note that if we in project management wish to promote our services to senior general management in organization strategic planning and implementation, we should not start by talking about projects. We should first be talking about the strategic outcomes they are trying to achieve, and only introduce discussions about projects in the context of them being part of the means of achieving such outcomes.

We then looked at commonalities and differences in operational management between production-based and project-based organizations. On the commonalities side, it was recognised that project management has very extensive general management components, and in this context the two have a great deal in common. When it comes to differences, these mostly appear to relate to the temporary nature of individual projects (“temporary organizations”) versus the permanent nature of production-based organizations. The resultant differences do not appear to be widely understood or appreciated by either group of managers.

We then suggested that one reason for lack of understanding by general managers about project management is that it is seen by many people, both within and outside the project management community, as being an execution-only discipline.

It was then suggested that inclusion of specific coverage of all project initiation phases in project management bodies of knowledge and the like would assist in convincing general managers in production-based organizations of the nature and importance of project management in their environment.

We went on to look briefly at differences between strategic management and operations management. The former needs a substantial future-oriented-what-if mind-set, whilst operations need more of here-and-now fix-it mind-set. This difference applies in both production-based organizations. Commonly, the organization's focus tends to be on the current provision of producing goods and/or services, and the skills related there-to. This suggests that it would be prudent to ensure that there is also a specialist strategic management person in place in the senior management team.

Finally, returning to an implementation-of-strategic-objectives-via-projects theme in production-based organizations, this could be seen as a joint venture between project managers and operations/general managers, and I developed a figure which broadly represents how the disposition of inputs from each might vary during the processes of strategic planning, and project initiation, execution and outcomes realization.

In the next issue of this journal I will be discussing the initiation of projects, both via organizational strategic planning processes, and via more ad hoc beginnings, and will relate these to an extended project life-cycle.

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